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Summary

The living wage movement has gained momentum despite evidence that shows wage mandates actually increase unemployment. Such policies harm taxpayers, too, by increasing the cost of public services. To help low-income workers, Oregon policymakers should reduce taxes and remove the legal barriers and counterproductive regulations that hinder businesses from expanding better-paying job opportunities.

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“The living wage movement has gained momentum despite evidence that shows wage mandates actually hurt the poor by increasing unemployment.”

Living wage laws: Less livable than you'd think

By Joseph Coon

Coalitions of labor and community organizations across the country have advanced local ordinances that require certain employers to pay their workers a “living wage.” The movement has gained momentum despite evidence that wage mandates actually hurt the poor by increasing unemployment.

Living wage laws initially applied only to city and county contractors, but now often include public employers and companies that receive tax abatements or subsidies. Since 1994, eighty U.S. cities and counties have adopted living wage ordinances, including Ashland, Corvallis, Medford, Portland, and Multnomah County. Eugene is currently debating an ordinance that would cost the city—read taxpayers—more than \$800,000 annually at full implementation, an expensive proposition, especially in the midst of a recession.

There is no objective definition of a living wage, and the rates proposed have increased over time. Ordinances often use the federal poverty line for a family of four as the base and adjust higher for more expensive regions. According to a Northwest Policy Center study from 2000, living in the Portland area requires \$15.41 per hour. The Eugene ordinance takes a single parent with one child as the standard and proposes a wage floor of \$11.42 with health benefits, or \$14.21 without.

Living wage rates are commonly based on the assumption that every low-income worker is the single breadwinner in a family of four. This is seldom the case. Dr. Richard V. Burkhauser of Cornell University points out “most minimum wage earners are single persons, second or third earners in non-poor families.” National Census data from a 1999 Current Population Survey indicates 85 percent of those earning between \$5.15 and \$7.25 per hour live alone without children, live with parents or relatives, or have a working spouse; only 15 percent of those earning low wages are the sole providers for families.

Dr. Ayse Evrensel, professor of economics at Portland State University, advances that proponents of a living wage “hurt the people they are so eager to help. The government can force you to pay employees a high wage, but it can't force you to

hire them in the first place.” In other words, she anticipates that employers will react to increased labor costs by hiring fewer people.

Dr. Evrensel’s observation is supported by the actions of the Association of Community Organizations for Reform (ACORN), which, ironically, is a leader in the living wage movement. In a 1996 legal brief filed to exempt the group from paying its employees the minimum wage, then at \$4.25, it explained, “the more that ACORN must pay each individual outreach worker...the fewer outreach workers it will be able to hire.” Exactly.

Why do living wage advocates press on despite obvious economic realities? Good intentions do not tell the whole story. In *Living Wage Policy: The Basics*, the Employment Policy Institute offers a scathing account of the motives and tactics behind the movement.

Behind the anti-poverty rhetoric lurks a job protection scheme—an attempt to stymie the privatization of public services by increasing labor costs of private sector contractors. Behind the “grassroots movement” is organized labor, including the AFL-CIO, and other national groups. Behind the seemingly limited-scope ordinances is an attempt to divide business and political opposition, paving the way for national living wage legislation.

Higher wages are a laudable goal, and businesses that are willing and able to offer their workers more generous compensation will likely be rewarded with loyal employees. However, living wage ordinances leave unskilled employees with fewer employment opportunities than before. Oregon policymakers who want to lift low-income workers out of poverty should reduce taxes and remove the legal barriers and counterproductive regulations that hinder businesses from expanding better-paying job opportunities.

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